

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00
FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04
SIL-01 L-03 H-02 PA-02 PRS-01 /109 W
-----070650Z 096425 /12

P R 070609Z APR 77

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 6734

TREASURY DEPT WASHDC PRIORITY

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMCONSUL HONG KONG

USMISSION OECD PARIS

UNCLAS SECTION 1 OF 2 TOKYO 4969

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - MAR 31-APR 6, 1977

1. SUMMARY. PAST WEEK SAW SHARP APPRECIATION OF YEN IN FOREIGN EXCHANGE MARKET, BRINGING YEN/DOLLAR RATE TO YEN 272-273 LEVELS AND AGAIN FOCUSING ATTENTION IN JAPAN ON EXCHANGE RATE MATTERS. OTHER ECONOMIC AND FINANCIAL STATISTICS WHICH HAVE BECOME AVAILABLE ON JAPANESE ECONOMY CHANGE LITTLE THE PICTURE CHARACTERISTIC OF RECENT MONTHS: THAT OF AN ECONOMY PERFORMING SLUGGISHLY ON MOST FRONTS. END SUMMARY.

2. A SHARP APPRECIATION OF THE YEN ON MONDAY AND TUESDAY, APRIL 4-5 MOVED EXCHANGE RATE QUESTIONS BACK INTO THE HEADLINES THIS WEEK. ON MONDAY, YEN STRENGTHENED TO TRADE AT YEN 275/DOLLAR (SO-CALLED CENTRAL RATE), AS
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COMPARED WITH YEN 276.80 RATE ON FRIDAY, IN MODERATELY HEAVY VOLUME OF \$243 MIL AND WITH REPORTS OF BANK OF JAPAN INTERVENTION (RUMORED TO AMOUNT TO \$70 MIL) TO PREVENT ERRATIC FLUCTUATIONS. YEN 2.6 APPRECIATION BETWEEN FRIDAY CLOSE (YEN 276.60) AND MONDAY CLOSE (YEN 274.00) DREW CONSIDERABLE ATTENTION BECAUSE OF UNUSUAL SIZE OF MOVEMENT. CENTRAL TRADING RATE ON TUESDDAY AGAIN ROSE SHARPLY, TO

YEN 272.50, IN HEAVY VOLUME (\$327 MIL), WITH REPORTS OF BOJ INTERVENTION OF \$100 MIL OR MORE. EXPLANATIONS FOR THESE DEVELOPMENTS ABOUND AND COMMENTS, BOTH PUBLIC AND PRIVATE, ACCUMULATE, BUT TENOR OF MARKET PROBABLY MOST PERVASIVELY INFLUENCED BY RUMOR/BELIEF (REPORTED TOKYO 3980). THAT GOVT PREPARED TO SEE YEN APPRECIATE TO YEN 270 LEVEL. SOME REPORTS HAVE ALREADY BEGUN TO CIRCULATE THAT GOVT AND BOJ, WHILE MAINTAINING PRESENT INTERVENTION POLICIES, BELIEVE THAT MARKETS ARE BECOMING EXCESSIVELY SPECULATIVE AND THAT MORE ACTIVE ROLE BY BOJ WILL BE REQUIRED. GENERALLY SPEAKING, MOF AND BOJ ARE SEEN PUBLICLY AS FOR TIME BEING WATCHING EXCHANGE MARKET CLOSELY; MITI IS SAID TO BE APPREHENSIVE ABOUT EFFECT OF APPRECIATION ON DOMESTIC INDUSTRIES (PARTICULARLY TEXTILES); AND EPA IS PORTRAYED MAINLY AS INTRESTED IN SEEING THAT YEN APPRECIATION IS PASSED THRU IN FORM OF LOWER DOMESTIC PRICES. IN WHAT MANY COMMENTATORS CALL IN PART REACTION TO YEN APPRECIATION AND INPART REACTION TO WALL STREET DEVELOPMENTS, TOKYO STOCK MARKET INDICES DIPPED SHARPLY.

3. MINISTRY OF FINANCE (MOF) ANNOUNCED APRIL 1 THAT JAPAN'S OFFICIAL INTERNATIONAL RESERVES ROSE \$174 MIL IN MARCH, AS REPORTED PREVIOUSLY. ALTHOUGH DETAILS ON MARCH BALANCE OF PAYMENTS OBVIOUSLY NOT YET AVAILABLE, MOF OFFICIALS ATTRIBUTE RESERVE INCREASE IN MARCH TO CONTINUING STRONG EXPORT PERFORMANCE DURING MONTH. MOF OFFICIALS, HOWEVER, ESTIMATE LARGER NET OUTFLOWS ON LONG-TERM CAPITAL IN MARCH THAN IN FEB. IT IS BELIEVED THAT HIGHER LEVELS OF BOTH EXTERNAL BOND ISSUES AND FOREIGN PURCHASES OF JAPANESE UNCLASSIFIED

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SECURITIS DURING MARCH WERE MORE THAN OFFSET BY SHARP INCREASE IN DIRECT INVESTMENT ABROAD BY JAPANESE ENTERPRISES AT END OF CORPORATE BUSINESS YEAR.

4. FOLLOWING INCREASES IN PRECEDING TWO MONTHS, SEASONALLY ADJUSTED NEW PRIVATE MACHINERY ORDERS (EXCLUDING SHIPS) DECLINED SHARPLY -- 17 PERCENT -- IN FEB. AVERAGE IN FIRST TWO MONTHS THIS YEAR FELL BACK TO ONLY SOMEHWAT ABOVE AVERAGE DURING FOURTH QUARTER OF LAST YEAR. FEB DECLINE WAS ATTRIBUTED PRIMARILY TO A SHARP 28 PERCENT SEASONALLY ADJUSTED DECLINE IN ORDERS PLACED BY NON-MANUFACTURING FIRMS EXCLUDING SHIPPING COMPANIES; ORDERS PLACED BY MANUFACTURING FIRMS ALSO DECLINED IN FEB, THOUGH, AT 6 PERCENT, LESS RAPIDLY.

	PERCENT CHANGE FROM	
	BIL YEN	PRIOR MONTH
1976 DEC	289.6	15.5
1977 JAN	306.2	5.7
FEB	254.1	MIN 17.0

5. NEW CONSTRUCTION ORDERS ALSO DECLINED IN FEBRUARY.
NEW CONSTRUCTION ORDERS PLACED BY GOVT AND OTHER PUBLIC
AGENCIES DECLINED SHARPLY DURING MONTH, MORE THAN
OFFSETTING INCREASES RECORDED IN PRECEDING TWO MONTHS.
OFFICIALS IN CONSTRUCTION MINISTRY, HOWEVER, REMAIN
OPTIMISTIC DESPITE FEB DATA, SAYING THAT FEB DECLINE WILL BE
TEMPORARY, AND PREDICTING HEALTHY RECOVERY FOR MONTHS AHEAD.
PRIVATE CONSTRUCTION ORDERS DECLINED ALSO IN FEB, MARKING
THIRD MONTH OF DECLINE.

NEW CONSTRUCTION ORDERS SEASONALLY ADJUSTED
(BIL YEN; PERCENT CHANGE FROM PRIOR PERIOD IN PAREN)

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	GOVT/ PUBLIC	PRIVATE
1976 (MONTHLY)		
AVERAGE)	211.1 (MIN 1.3)	249.1 (1.2)
JAN-MAR	207.1 (MIN 4.2)	245.3 (6.8)
APR-JUN	202.6 (MIN 2.2)	227.8 (MIN 7.1)
JUL-SEP	220.0 (8.6)	245.6 (7.8)
OCT-DEC	206.1 (MIN 6.3)	272.2 (10.8)
1976: DEC	229.0 (4.5)	275.6 (MIN 1.2)
1977: JAN	279.8 (22.2) REV	270.3 (MIN 1.9) REV
FEB	215.5 (MIN 23.0)	254.8 (MIN 5.7)

6. INDICATORS NOW AVAILABLE SHOW SOMEWHAT MIXED PICTURE FOR LABOR MARKET CONDITIONS IN JAN. INDEX OF OVERTIME HOURS WORKED CONTINUED TO RISE IN JAN ON SEASONALLY ADJUSTED BASIS WHEREAS JOB OFFERS/APPLICANTS RATIO DETERIORATED, THOUGH SLIGHTLY, DURING THE MONTH. AS REPORTED PREVIOUSLY (TOKYO 4146, PARA 6) UNEMPLOYMENT RATE, SEASONALLY ADJUSTED, UNCLASSIFIED

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SHOWED LITTLE CHANGE IN JAN AFTER SMALL IMPROVEMENT RECORDED LAST DEC. JAN DATA FOR UNIT LABOR COST STILL NOT AVAILABLE. REVISION HAS BEEN MADE IN MONTHLY DATA FOR 1976 FOR JOB OFFERS/APPLICANTS RATIO AS WELL AS FOR OVERTIME WORKED, AS IS CUSTOMARY AT BEGINNING OF YEAR. APRIL ISSUE OF EPA MONTHLY PUBLICATION, JAPAN ECONOMIC INDICATORS, WHICH WILL BE AVAILABLE BY END OF APRIL, WILL CARRY THESE REVISED INDICES.

	1976	1977
JEI NO. SERIES (UNIT)	NOV DEC	JAN
385 JOB OFFERS/APPLICANTS RATIO	0.62 0.63	0.62
401 MFG. OVERTIME (1970-100)	138.4 139.1	141.6

NOTE: ALL SERIES ARE SEASONALLY ADJUSTED BY EPA. DATA ABOVE ARE ALL ON REVISED BASIS.

7. AVERAGE PROPENSITY TO SAVE FELL SHARPLY IN JAN. ACCORDING TO HOUSEHOLD EXPENDITURE SURVEY RELEASED BY PRIME MINISTER'S OFFICE, SEASONALLY ADJUSTED AVERAGE PROPENSITY TO SAVE FOR EMPLOYED WORKERS (JEI 363) DROPPED TO 21.7 PERCENT IN JAN FROM 23.2 PERCENT AVERAGE DURING FOURTH QUARTER OF LAST YEAR. PERSONAL SPENDING ROSE SHARPLY IN JAN AS SUGGESTED BY STRONG ADVANCE RECORDED FOR INDEX OF DEPARTMENT STORE SALES DURING THE MONTH (TOKYO 4146, PARA 5). HOWEVER, NOTE THAT INDEX OF DEPARTMENT STORE SALES DECLINED IN FEB.

	1976 NOV	1976 DEC	1976 JAN-MAR	1977 JAN	1977 APR-JUNE	1977 JUL-SEP	1977 OCT-DEC
AVERAGE PROPENSITY TO SAVE (PERCENT OF DISPOSABLE INCOME) - SEASONALLY ADJUSTED	23.0	23.3	23.0	21.7	21.7	21.9	23.2

NOTE: DATA FOR 1976 HAVE BEEN REVISED, AS IS CUSTOMARY AT BEGINNING OF 1977. FIGURES ABOVE ARE ALL ON REVISED BASIS AND THEREFORE MAY DIFFER FROM THOSE PREVIOUSLY TRANSMITTED.

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IM IN DOMESTIC FINANCIAL MARKETS, FOUR BANK DEPOSIT RATES WERE AS ANTICIPATED REDUCED BY 0.5 PERCENT, EFFECTIVE APRIL 4. THESE WERE RATES ON ORDINARY DEPOSITS, DEPOSITS AT NOTICE, DEPOSITS FOR TAX PAYMENTS AND SPECIAL DEPOSITS. RATES ON TIME DEPOSITS AS WELL AS ON POSTAL SAVINGS REMAIN UNCHANGED. WITH UNCONDDITIONAL CALL MONEY RATE LOWERED BY 0.5 PERCENT TO 6.5 PERCENT PER ANNUM, EFFECTIVE MARCH 12, AS PREVIOUSLY REPORTED, AVERAGE CALL MONEY RATE (JEI 178) WAS 6.692 PERCENT FOR MARCH, 0.3 PERCENTAGE POINT DROP FROM FEB. BOND YIELDS DECLINED FOR FOURTH STRAIGHT MONTH IN MARCH TO LATE 1973 LEVELS. WITH DECLINES IN BOND YIELDS, VOICES CALLING FOR LONG-TERM RATE CUTS HAVE AGAIN STRENGTHENED RECENTLY IN BUSINESS CIRCLES. PRESS NOW SPECULATES ON LONG-TERM RATE CUTS IN MAY/JUNE INCLUDING ANOTHER CUT IN CORPORATE BOND YEELD (IN ADDITION TO 0.2 PERCENT REDUCTION IMPLEMENTED IN MARCH).

GOJ BONDS TEL AND TEL BONDS CORPORATE BONDS

(JEI 179)

JAN	8.582	8.596	8.582
FEB	8.503	8.506	8.483
MAR	8.416	8.328	8.428

9. IN THE MONETARY AGGREGATES ALTHOUGH M-2 CONTINUED TO GROW AT RECENT RATES, NARROWLY DEFINED MONEY SUPPLY, M1 (SEASONALLY ADJUSTED), ROSE ONLY MODESTLY IN FEB, EVEN AFTER DECLINES IN PRECEDING TWO MONTHS. DURING FOUR MONTHS ENDING IN FEB, M1 RECORDED VIRTUALLY NO GROWTH. SLOW ADVANCE IN M1 PARTIALLY EXPLAINED BY CORPORATE EFFORTS TO REDUCE LIQUID ASSETS, ACCORDING TO OFFICIALS OF BANK OF JAPAN. FEB ADVANCE IN BANK LOANS AND DISCOUNTS AGAIN SLIGHTLY OFF THE AVERAGE PACE OF PAST YEAR, PRIMARILY REFLECTING CONTINUED WEAK PRIVATE DEMAND FOR FUNDS. MONEY AND CREDIT, SEASONALLY ADJUSTED (BIL YEN; PERCENT CHANGE FROM PRIOR MONTH IN PAREN)

M1 (JEI 123) M2 (JEI 126) LOANS AND DISCOUNTS

(JEI 133)

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1976 DEC 53,149 (MIN 0.2) 138,344 (0.6) 97,648 (0.9)

1977 JAN 53,043 (MIN 0.2) 139,565 (0.9) 98,312 (0.7)

FEB 53,180 (0.3) 140,703 (0.8) 99,063 (0.8)

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, ECONOMIC DATA, FOREIGN EXCHANGE RATES
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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From: TOKYO
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ISecure: 1
Legacy Key: link1977/newtext/t19770475/aaaacnxd.tel
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Litigation History:
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
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Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2861934
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL AND ECONOMIC DEVELOPMENTS - MAR 31-APR 6, 1977
TAGS: EFIN, JA
To: STATE TRSY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/710f49a8-c288-dd11-92da-001cc4696bcc
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